

PUBLIC DISCLOSURE

MAY 17, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

STOUGHTON CO-OPERATIVE BANK

950 PARK STREET
STOUGHTON, MA 02072-0446

DIVISION OF BANKS
100 CAMBRIDGE STREET
BOSTON, MA 02202

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **STOUGHTON CO-OPERATIVE BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

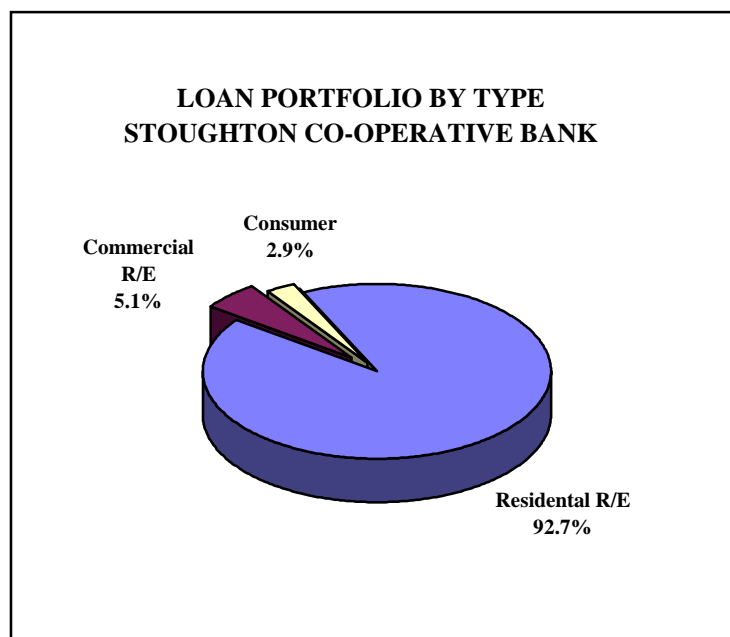
The bank's overall rating of Satisfactory is a result of the analysis of the bank's performance in the five criteria shown in this report. The bank's loan-to-deposit ratio has averaged 56.6% for the period June 30, 1997 through March 31, 1999. The ratio has shown a steady increase since the last examination of June 3, 1996, and is considered to meet the standards for a satisfactory performance. A review of the bank's residential mortgage loans from January 1, 1998, through year-to-date April 30, 1999, revealed that the majority of loans were originated within the bank's assessment area. A review of loans to borrowers of different income levels revealed a good dispersion among all levels including low and moderate-income. With respect to the geographic distribution performance criteria, loans are well distributed within the six census tracts located in Stoughton. The fair lending examination revealed no evidence of discriminatory acts or practices.

PERFORMANCE CONTEXT

Description of Institution

Stoughton Co-operative Bank is a state-chartered mutually owned co-operative bank, incorporated under the laws of the Commonwealth of Massachusetts in 1886 to serve the various savings and credit needs of individuals, businesses, and organizations in the community. The bank is headquartered in Stoughton, Massachusetts, and has two full service offices, which are located in the Town of Stoughton. The main office has an Automated Teller Machine (ATM). There are no surcharges for the use of the bank's ATM. Hours of operation are convenient and include extended hours on Thursday at both branch offices, and Saturday mornings at the main office.

As of March 31, 1999, Stoughton Co-operative Bank had total assets of \$64,073,000, 50.9% of which were in the form of loans. Of these loans, 92.7% consist of 1-4 family residential loans, 5.1% consist of commercial real estate loans, and 2.9% consist of consumer loans. The following graph provides a breakdown of the bank's loan portfolio.



Stoughton Co-operative Bank operates in a very competitive market. Local competitors include but are not limited to the following: Randolph Savings Bank, Brockton Credit Union and Crescent Credit Union, as well as representatives of numerous regional and national mortgage companies. The market influence from these institutions appears to be significant and as a result, serves to keep the bank's rates and services offered competitive.

Market share information obtained from CRA WIZ, based on 1997 aggregate performance data, indicates that the bank was ranked eighth (2.60%) in total originations within its assessment area; first in lending to low-income applicants; and fifteenth in

lending to moderate-income applicants. The assessment area is comprised of 181 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks and credit unions which have either originated or purchased residential mortgage and/or home improvement loans within the bank's assessment area. The top five institutions ranked by market share within Stoughton Co-operative Bank's assessment area include: Randolph Savings Bank (4.77%), Countrywide Home Loans, Inc. (4.66%), Homeside Lending, Inc. (3.90%), Resource Bancshares Mtg. (3.36%) and North American Mortgage Co. (3.14%).

The FDIC last examined the bank for compliance with the Community Reinvestment Act on February 17, 1998. That examination resulted in a Satisfactory rating.

Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The bank has defined its assessment area as the Town of Stoughton located in the Boston MSA and comprised of six middle-income census tracts. The Office of Management and Budget establishes MSAs for statistical reporting purposes by federal agencies.

Demographic data based on 1990 Census Data for the bank's assessment area indicate that 73.2% of all occupied units in Stoughton are owner-occupied. In addition, the median home value of \$156,300 is lower than the median home value of \$186,100 of the Boston MSA. Stoughton's 1995 estimated median family income of \$51,814 was slightly lower than that of the Boston MSA's of \$53,100.

Stoughton is a medium sized suburban community with great ethnic and religious diversity. Stoughton is located twenty miles south, southwest of Boston. The town is primarily a residential community with an excellent range of commercial properties that provide jobs, economic prosperity and non-residential tax dollars. The community takes pride in the Stoughton Technology Center, world headquarters for Reebok as well as many family owned businesses. Cultural, athletic and social activities are numerous and homes are reasonably affordable. Stoughton is conveniently located for those commuting to Boston and other suburban job locations through the Massachusetts Bay Transit Authority commuter rail and by interstate highways.

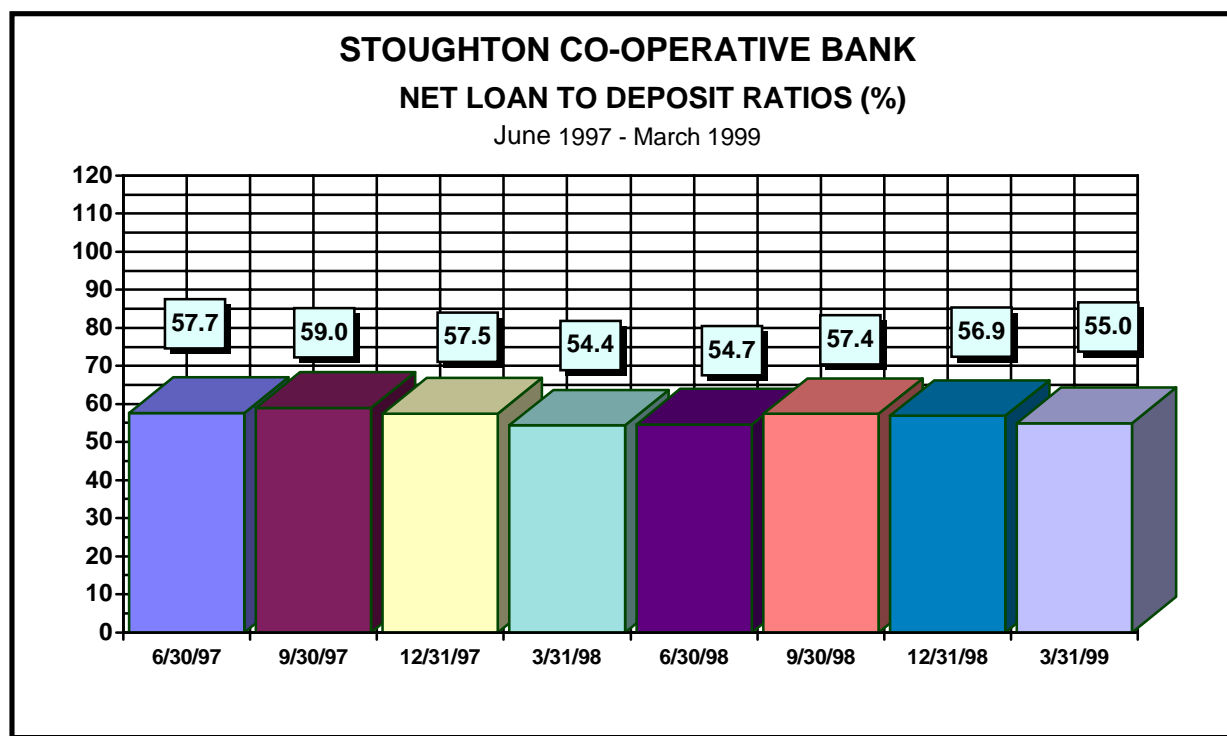
PERFORMANCE CRITERIA

1. NET LOAN TO DEPOSIT ANALYSIS

An analysis of Stoughton Co-operative Bank's net loan to deposit ratio was performed during the examination. The calculation incorporated eight quarters of the bank's net loan to total deposit figures utilizing FDIC quarterly call reports. This review included the quarters ending June 30, 1997 through March 31, 1999.

The institution's average loan to deposit ratio during the period under examination was determined to be 56.6%. The ratio has fluctuated from a high of 59.0% on September 30, 1997 to a low of 54.4% on March 31, 1998. The average ratios in the previous two reports of examination conducted on June 3, 1996 (Division of Banks) and February 17, 1998 (FDIC) were 49.8% and 54.1% respectively. This is an indication of the bank's continuing efforts to raise the proportion of loans to deposits. In addition, the bank is a portfolio lender, which presents the bank with challenges in growing the portfolio.

The following graph illustrates the bank's Net Loan to Deposit ratios.



As of December 31, 1998, the bank's three primary competitors had net loan to deposit ratios as follows: Randolph Savings Bank - 54.7%; Brockton Credit Union - 61.9%; and Crescent Credit Union - 78.5%. The bank's ratio of 56.9% as of December 31, 1998 is in line with its competitors.

Based on the above information and Stoughton Co-operative Bank's capacity to lend, the strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the bank's loan to deposit ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Data regarding the bank's residential mortgage lending activity for 1998 and year-to-date April 30, 1999 was reviewed to determine the proportion of loans originated within the assessment area by number of originations. Mortgage lending data was obtained from the bank's Loan Application Register (LAR) filed under the provisions of the Home Mortgage Disclosure Act (HMDA).

The table below indicates that the bank originated 119 residential mortgage loans during the examination period. A total of 72 loans or 60.5% were originated within the bank's assessment area.

RESIDENTIAL MORTGAGE LOANS BY NUMBER OF ORIGINATIONS

	1998		Year-to-Date 1999		TOTALS	
LOCATION	#	%	#	%	#	%
Stoughton	60	61.2	12	57.1	72	60.5
OUTSIDE ASSESSMENT AREA	38	38.8	9	42.9	47	39.5
TOTALS	98	100.0	21	100.0	119	100.0

Source: Bank LAR 1998 and Year-to-Date April 30, 1999

The bank's loan data for 1998 and year-to-date April 30, 1999 was also reviewed for the total residential mortgage loan originations by dollar amount. The review revealed that the bank's dollar volume totaled \$11,186,000 during this time frame. Of this total, 55.0% were originated within the bank's assessment area.

The following table provides a breakdown of the dollar volume of residential mortgage loans originated within the bank's assessment area.

RESIDENTIAL MORTGAGE LOAN ORIGINATIONS BY DOLLAR AMOUNT

	1998		Year-to-Date 1999		TOTALS	
LOCATION	\$	%	\$	%	\$	%
Stoughton	5,147	55.7	1,001	51.4	6,148	55.0
OUTSIDE ASSESSMENT AREA	4,091	44.3	947	48.6	5,038	45.0
TOTALS	9,238	100.0	1,948	100.0	11,186	100.0

Source: LAR Data 1998 and Year-to-Date April 30, 1999

Based on the above information, it is evident that a majority of the number and dollar amount of the bank's residential mortgage loan originations has been extended within its assessment area. Therefore, the institution's level of lending within its assessment area meets the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of residential mortgage loans extended, within the bank's assessment area, among various income levels was conducted. Originations were categorized by the ratio of the applicant's reported incomes to the 1998, and year-to-date April 30, 1999, median family incomes of the Boston Metropolitan Statistical Area (MSA). The median family incomes for the Boston MSA are \$60,000 for 1998 and \$62,700 for 1999. Income figures were based on estimated data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as 50 to 79 percent of the median family income. Middle income is defined as income between 80 and 119 percent of the median family income. Upper income is defined as income greater than 120 percent of the median family income.

The following table provides a breakdown of the bank's residential mortgage loan originations by various income levels. Loans granted to low and moderate-income borrowers accounted for 38.7%, followed by loans to middle-income borrowers with 36.0%, and loans to upper-income borrowers with 33.3%

LOAN ORIGINATIONS BY INCOME OF BORROWER

% OF MEDIAN MSA INCOME	1998		Year-to-Date 1999		TOTAL	
	#	%	#	%	#	%
<50%	1	1.7	3	25.0	4	5.4
50% - 79%	22	36.7	2	16.7	24	33.3
80% - 119%	17	28.3	3	25.0	20	36.0
120% >	20	33.3	4	33.3	24	33.3
TOTAL	60	100.0	12	100.0	72	100.0

Source: LAR data for 1998 and Year-to-Date April 30, 1999

The above distribution reflects a reasonable penetration among individuals of all income levels when compared to the composition of the assessment area. The bank's assessment area contains 7,128 families of which 35.2% are low and moderate-income, 28.9% are middle-income and 35.9% are upper-income.

The following table shows the number and dollar volume of loans originated by the bank to low-, moderate-, middle-, and upper-income borrowers in comparison to the activity of all other HMDA- reporting lenders for calendar year 1997.

**Lending Within the Assessment Area to Borrowers of
Different Income Levels
Stoughton Co-operative Bank Compared to All Other HMDA-Reporting Lenders**

Family Income Level	Number of Loans				Dollars in Loans (000's)			
	Stoughton Co- operative Bank		All Other Reporters		Stoughton Co- operative Bank		All Other Reporters	
	#	%	#	%	\$	%	\$	%
Low	6	25.0	42	4.7	271	9.6	2,166	2.1
Moderate	3	12.5	179	19.9	261	9.1	15,421	15.3
Middle	9	37.5	273	30.4	1,013	35.5	29,610	29.3
Upper	5	20.8	245	27.3	775	27.1	34,014	33.7
N/A	1	4.2	160	17.7	535	18.7	19,821	19.6
Total	24	100.0	899	100.0	2,855	100.0	101,032	100.0

Source: CRA WIZ, 1997 Peer Data

The distribution of the bank's residential mortgage originations based on borrower income shows a good dispersion among borrowers of low and moderate-income. An analysis of aggregate data for 1997 indicates that the bank compares favorably to all other lenders in its assessment area for lending to borrowers of low-income. The analysis shows that 25.0% of the number and 9.6% of the dollar amount of the bank's total residential mortgages were granted to low-income borrowers compared to 4.7% and 2.1% for all other lenders. Conversely, the bank's lending to moderate-income borrowers does not compare as favorably with 12.5% of the number and 9.1% of the dollar amount compared to 19.9% and 15.3% for all other lenders. However, in 1997 the most recent year aggregate data is available, the bank only originated 24 loans within the assessment area. With such a small number of loans, small changes in numbers translated to big percentage changes. Also the bank's penetration of moderate-income borrowers increased to 22 loans in 1998.

Based upon the demographic composition of the bank's assessment area, the above analysis reasonably reflects the assessment area. In addition, as indicated above the bank has shown a willingness to lend to applicants of all income levels including those of low and moderate-income levels. Therefore, the bank is considered to meet the standards for satisfactory performance in this category.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The purpose of reviewing the bank's geographic distribution of loans is to assess how well the bank is addressing the credit needs throughout the area's low, moderate, middle and upper-income census tracts. However, Stoughton Co-operative Bank's assessment area consists exclusively of middle-income census tracts. Hence, a further analysis would not be meaningful. The lending data for 1998 and year-to-date April 30, 1999 indicates a reasonable dispersion throughout the six middle-income census tracts.

5. REVIEW OF COMPLAINTS/FAIR LENDING

REVIEW OF COMPLAINTS

Stoughton Co-operative Bank has not received any complaints regarding its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

FAIR LENDING POLICIES AND PRACTICES

Detailed below is the bank's fair lending performance as it correlates to the guidelines established by the Division of Bank's Administrative Bulletin 2.3-101. Stoughton Co-operative Bank has a formal written fair lending policy that addresses many of the aspects contained within the Bulletin.

Staff Training

Employees of the bank are trained in compliance, CRA, and fair lending issues. The bank's Assistant CRA/Compliance Officer is responsible for all compliance training and conveying information to all employees.

The Board of Directors requires internal training sessions for every member of the bank's staff and board. Periodic internal training sessions are conducted within the bank. The bank utilizes Bankers Value Service Performance Systems Films for all CRA training. Videos utilized address the Community Reinvestment Act, CRA Compliance for Small Banks, Regulation B - Equal Credit and Fair Lending issues. In addition, all new employees and directors are required to meet with the CRA Officer to review fair lending issues as part of the orientation process.

Staff Composition and Compensation

The bank has 23 full-time and 2 part-time employees. The bank employs 21 females and 4 males. In addition, 6 individuals speak Portuguese.

Stoughton Co-operative Bank employs 3 loan originators. The bank does not have an incentive compensation program in place for any loan officer. Loan officers are paid on a salary basis and are therefore encouraged to make loans of all dollar amounts.

Outreach

All of the bank's personnel contribute to the bank's understanding of local credit needs through their involvement in various affiliate institutional events; frequent contact with customers; and personal knowledge from past or present educational, employment or residential experience in the community served by the bank. The bank's President/C.E.O. is a member of the Stoughton Chamber of Commerce and the Assistant CRA/Compliance Officer is head of the Town of Stoughton's Fair Housing Committee.

Credit Products and Underwriting Standards

The bank evaluates both the products it offers and its product mix on an ongoing basis. This analysis is conducted to help determine whether the bank is offering competitive products and whether those products are responsive to the assessment area's credit needs.

Loan underwriting standards are reviewed to determine whether they are excluding low and moderate-income individuals from qualifying for a loan.

The bank offers in-house mortgages up to \$250,000 with terms of up to 30 years and debt-to-income ratios as high as 38 percent. The bank offers a first time homebuyers program that has a maximum loan amount of \$148,500, a 30-year term, loan-to-value ratio as high as 95 percent and debt-to-income ratios as high as 38 percent. In addition, the bank offers a deleading program that has a maximum loan amount of \$25,000, a maximum loan-to-value of 85 percent of present value plus the deleading, and debt-to-income ratios as high as 42 percent.

Marketing

Stoughton Co-operative Bank has an informal Marketing Plan that enables the bank to inform customers of its products and services. Periodically, bank management includes additional information with statements that are mailed to its customers. In addition, the bank advertises in the following daily or weekly newspapers: The Stoughton PennySaver, The Randolph MoneySaver, The Brockton Enterprise, and The Patriot Ledger, which covers the South Shore.

Credit Education

Stoughton Co-operative Bank has not offered any formal credit education programs for the period under review. However, it is the policy of management to see that every applicant requiring assistance be “walked through” the application process, especially first time homebuyers who are unfamiliar with the aspects of the application process.

Counseling

Bank employees are available to assist customers with potential problems or questions concerning their credit situation. In addition, the bank refers delinquent loan customers to the Consumer Credit Counseling Service of Eastern Massachusetts, Inc.

Second Review Practices

The bank’s Security Committee reviews all adverse action notices prior to mailing the notice or informing the loan applicant. This second level of review demonstrates the Board of Directors commitment to fair lending practices as well as an internal control for nondiscriminatory actions.

Internal Control Procedures

A review of a random sample of declined mortgage loan applications and similar approved applications was performed during the examination. There was no evidence of discrimination or other illegal credit practices noted.

A review of the bank’s loan policy was also conducted. The review revealed that there was no evidence of practices designed to discourage applications for credit.

HMDA information is presented to the Board of Directors after preparation. The report is then voted on by the Board of Directors and becomes part of the CRA statement. To insure further compliance with fair lending laws, the Board of Directors relies on its management team to track the bank’s performance.

Minority Application Flow

A review of residential home mortgage loan applications received during 1998 and year- to-date April 30,1999 was conducted in order to determine the number received from minorities. Of the 72 applications received, 1 or 1.4 percent of the total applications were from minority applicants. It should be noted the minority population within the bank's assessment area is 7.1 percent of the population. In addition, an analysis was performed comparing the bank's application flow levels in 1997 to all other HMDA-reporting lenders in the bank's assessment area. This analysis revealed that the bank received 7.7 percent of its applications from the minority population compared to 9.3 percent for all other HMDA reporters. While this level is somewhat low, the bank's minority application level is somewhat misleading in 1997 because the bank only had 26-mortgage applications in that year. A change of one or two loans translates into large percentage changes.

Conclusion

Stoughton Co-operative Bank's record of implementing and developing fair lending policies and practices is rated "Satisfactory". This rating is based on the bank's efforts to market its credit products to all segments of its assessment area; efforts to promote consumer credit counseling; implementation of second review and internal control procedures; and a variety of credit products that meet the needs of all segments of the population, including low and moderate-income individuals.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

STOUGHTON CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MAY 17, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____